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c 154 Farm Loans Act

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CHAPTER 154

Farm Loans Act

1. In this Act,

Interpre-
tation

- (a) "association" means a farm loan association incorporated under this Act;
- (b) "Commissioner" means the Commissioner of Agricultural Loans;
- (c) "directors" means the directors of a farm loan association;
- (d) "local municipality" means a township or village;
- (e) "secretary-treasurer" means the secretary-treasurer of a farm loan association;
- (f) "Treasurer" means the Treasurer of Ontario and Minister of Economics. R.S.O. 1970, c. 158, s. 1; 1972, c. 3, s. 17 (1).

2. A farm loan association may be formed for the purpose of loaning money under this Act in any part of Ontario described in the certificate of incorporation. R.S.O. 1970, c. 158, s. 2.

Farm loan
association

3. Where it is desired to form such an association, an application in such form as is prescribed in the regulations and describing the territory for which the association is to be formed shall be forwarded to the Commissioner at Toronto. R.S.O. 1970, c. 158, s. 3.

Application

4.—(1) The Commissioner shall name a person to act temporarily as secretary-treasurer of the proposed association, and shall instruct the secretary-treasurer to call a meeting of those interested.

Temporary
secretary-
treasurer

(2) At such meeting five provisional directors shall be elected, and the work of organization shall be completed under their direction. R.S.O. 1970, c. 158, s. 4.

Provisional
directors

5. Any person resident in the territory described in the application and actually engaged in farming operations, or

Persons
eligible for
membership

agreeing to become so engaged within one year, is eligible for membership. R.S.O. 1970, c. 158, s. 5.

Certificate
of incor-
poration

6. No association shall be deemed to be incorporated until a certificate of incorporation setting forth that all the terms of this Act have been complied with has been issued by the Commissioner as hereinafter provided. R.S.O. 1970, c. 158, s. 6.

Capital
stock

7.—(1) The amount of the capital stock of the association shall be fixed by the Commissioner and shall be made up as follows:

1. One share of par value of \$100 to be subscribed by each member.
2. Shares of par value of \$100 to the extent of one-half of the total amount subscribed by individual members subscribed for by the corporations of local municipalities in the territory for which the association is formed.
3. Shares of par value of \$100 each to the extent of one-half of the total amount subscribed by individual members subscribed for by the Province of Ontario.

Minimum
number of
members

(2) No association shall be incorporated or carry on business until at least thirty members have subscribed for stock in the association. R.S.O. 1970, c. 158, s. 7.

Terms of
payment

8. Each member shall pay 10 per cent of the par value of his stock at the time of subscription and the balance when called upon, and payments by municipal corporations and the Province of Ontario shall be made at the same time and in the same proportions as those of individual members. R.S.O. 1970, c. 158, s. 8.

Council of
local
municipality
may
subscribe

9. The council of a local municipality may in its discretion by by-law subscribe to the stock of any association incorporated under this Act to the extent and upon the terms herein provided, and may pay for the stock subscribed for and take all steps incidental thereto and to the carrying out of the provisions of this Act and may issue debentures of the corporation payable within a period not exceeding ten years for the amount of such subscription in the manner provided by the *Municipal Act*, but it is not necessary to submit any by-law for the issue of such debentures to the electors qualified to vote on money by-laws nor to observe the other formalities in relation thereto prescribed by the *Municipal Act*. R.S.O. 1970, c. 158, s. 9.

R.S.O. 1980,
c. 302

10. In the event of two or more municipalities combining in such subscription, the stock held by them may be held in the joint names of the corporations or severally in such proportions as they agree upon, and may be acted upon in such joint or separate manner as they from time to time agree upon. R.S.O. 1970, c. 158, s. 10.

11. Upon receipt of a report from the Commissioner that an association is being formed in accordance with this Act, the Treasurer, with the approval of the Lieutenant Governor in Council, may subscribe for shares in accordance with paragraph 3 of subsection 7 (1), and all necessary payments shall be made out of the Consolidated Revenue Fund or in bonds or other securities issued or guaranteed by the Province of Ontario. R.S.O. 1970, c. 158, s. 11.

12.—(1) To represent the stock subscribed and to assist generally in the conduct of the business of the association, two directors shall be appointed by a municipal corporation subscribing, or if more than one municipal corporation is subscribing, one director shall be appointed by each corporation and in every case two directors shall be appointed by the Lieutenant Governor in Council.

(2) Directors named under this section shall serve for a period of two years or until their successors are appointed. R.S.O. 1970, c. 158, s. 12.

13. Shares owned by members may be transferred to other members or purchased by the association only with the approval of the board of directors. R.S.O. 1970, c. 158, s. 13.

14.—(1) The secretary-treasurer is responsible for all moneys or securities realized by the sale of capital stock and such moneys or securities shall, where not needed for liabilities, be invested in bonds or debentures of or guaranteed by a government or municipality, as may be ordered by the directors with the approval of the Commissioner.

(2) The secretary-treasurer shall give such security for the due performance of the duties of his office and for the safe custody of the moneys coming to his hands as is prescribed by the regulations, and he shall at all times keep all moneys and securities in his hands separate from his own moneys and shall deposit them in a chartered bank to the credit of the association. R.S.O. 1970, c. 158, s. 14.

15. When capital stock has been arranged for as pre-scribed, the secretary-treasurer shall call a meeting of the members and the directors named by the subscribing muni-

cipality and the Province of Ontario and such meeting shall select the proposed corporate name, to wit "Farm Loans Association of (*insert name*)", and shall complete the organization of the association. R.S.O. 1970, c. 158, s. 15.

Officers

16.—(1) The subscribing members shall, at such meeting, from among themselves elect a president, vice-president and one director who, with the directors named by the municipality and the Province of Ontario, constitute the board of directors.

Term of office

(2) The president, vice-president and director shall hold office for one year or until their successors are elected. R.S.O. 1970, c. 158, s. 16.

Application for certificate of incorporation

17.—(1) The secretary-treasurer, immediately after the holding of the meeting, shall advise the Commissioner that organization has been completed and shall give the names of officers and directors and make application for a certificate of incorporation.

Association, when to be deemed incorporated

(2) Upon receipt of such application, the Commissioner may issue a certificate of incorporation to the association in the name approved and thereupon the association is a body corporate and shall for all purposes be deemed to be duly incorporated and may carry on business and exercise all the powers conferred upon it by this Act.

Vacancy in directorate

(3) Upon a vacancy occurring among the directors, the vacancy shall be filled by the body appointing the director whose seat has become vacant.

Quorum

(4) Two of the directors elected by the members and three of the directors appointed by the municipality and the Province of Ontario constitute a quorum of the directors. R.S.O. 1970, c. 158, s. 17.

Appointment of secretary-treasurer

18. The board of directors is responsible for carrying on the business of the association, shall appoint a secretary-treasurer, who may or may not be a member, and has power to fix the duties of all officers and, subject to the regulations, make rules governing procedure at all meetings of the directors or the association and the conduct of the association generally. R.S.O. 1970, c. 158, s. 18.

Officers and directors to be paid only for disbursements

19. No officer or director, except the secretary, shall be paid any salary or fee by the association, other than actual disbursements necessarily made in attending to the business of the association and approved by the directors. R.S.O. 1970, c. 158, s. 19.

20. An annual meeting of the association shall be held Annual meeting once in every year, between the 1st day of January and the 1st day of March, of which due notice shall be given by the secretary by letters addressed to each subscriber and director, and at such meeting reports shall be presented by the officers showing fully the business done by the association during the last calendar year. R.S.O. 1970, c. 158, s. 20.

21. After the incorporation of an association, additional Additional members, when admitted members may be admitted with the approval of the directors and under such conditions as the directors prescribe. R.S.O. 1970, c. 158, s. 21.

22. The object of an association incorporated under this Object Act is to promote individual prosperity and agricultural development by securing for members short-term loans for current expenditures. R.S.O. 1970, c. 158, s. 22.

23. When an association desires to secure credit for its Where association desires credit members, the secretary shall advise the Commissioner who shall inform the association as to the facilities available and the steps to be taken in furtherance of this Act. R.S.O. 1970, c. 158, s. 23.

24.—(1) A member of an association is entitled to apply Short-term loans may be made, for what purposes for a short-term loan for any one or more of the following purposes:

1. Purchase of seed, feed, fertilizer and other supplies.
2. Purchase of implements and machinery.
3. Purchase of cattle, horses, sheep, pigs and poultry.
4. Payment of the cost of carrying on any farming, ranching, dairying or other agricultural operations.
5. Payment of the cost of preparing land for cultivation.
6. Fire or life insurance where required, in the opinion of the directors, as collateral security for a loan made for any of the above-mentioned purposes.

(2) No loan to a member of an association shall exceed Limit of amount of loan in amount \$2,000, but an additional loan or loans may be made to a member if the total amount of indebtedness outstanding on account of the member does not at any time exceed \$2,000. R.S.O. 1970, c. 158, s. 24.

Application
for loan,
what to
include

25. A member of an association desiring a loan shall sign an application in the form prescribed, stating the amount required and the purpose for which it is to be used, and agreeing to repay the loan at a date therein to be named, which shall not be later than the 31st day of December next thereafter, together with interest at the rates fixed in accordance with this Act. R.S.O. 1970, c. 158, s. 25.

Approval of
directors

26. All such applications shall be delivered to the secretary and shall be presented by him to the directors at the next following meeting, and the directors shall determine whether an application shall be approved, and may approve it in part or on such terms as they consider proper, and may demand such security from the applicant as they think necessary, and in the event of the application being approved in part only or being varied, a new application shall be signed by the applicant in accordance with the approval and the former application cancelled. R.S.O. 1970, c. 158, s. 26.

Form of
approval

27.—(1) Where an application has been finally approved by the directors, the approval shall be certified on the application in the form prescribed and shall be signed by the secretary and by the president or vice-president, and a record of all applications approved shall be entered in the minutes of the association, and one duplicate or copy thereof shall be delivered to the applicant and another duplicate or copy retained by the association.

Idem

(2) In the event of the absence from any cause of any such officers, the directors may by resolution authorize any other officer to sign the approval in his stead. R.S.O. 1970, c. 158, s. 27.

Original
copy of
application
with ap-
proval to be
delivered
to bank

28. Whenever an application has been duly made and approved, the secretary shall deliver the original thereof to such bank or person as the directors have authorized, and shall settle the times and conditions at and upon which the amount shall be advanced, and, upon the same being agreed to by the lender, shall advise the applicant and shall enter a record thereof in the books of the association. R.S.O. 1970, c. 158, s. 28.

Note may be
required

29. Before any moneys are advanced under an approved application, the lender or association may require the borrower to sign a note or notes for the amount of the moneys to be advanced, and the association shall endorse such note or notes, but the terms of such notes shall not vary in any way from the terms of the approved application or from the provisions of this Act, and the secretary is hereby authorized to endorse such notes on behalf of the association. R.S.O. 1970, c. 158, s. 29.

30. The rate of interest payable by a borrower on a ^{Interest} loan guaranteed by an association shall not exceed 7 per cent per annum, and out of the interest paid one-seventh shall be paid to the association for the purposes hereinafter mentioned, which share of interest shall be paid by the lender to the association as soon as the loan and all interest thereon has been received by him and the security given to the lender shall not be surrendered until all such interest charges have been paid. R.S.O. 1970, c. 158, s. 30.

31. In the event of a borrower not being able to repay ^{Renewal} the amount of his loan on or before the 31st day of December for reasons that appear to the directors to be justifiable, or on account of the loan having been granted for purposes not productive within one year, the directors may, on the application of the borrower, authorize a renewal of any portion of the loan until such further time as is agreed, but not later than one year next after the maturity of the previous loan, and the application for such renewal loan shall be in the same form as for an original loan, except that it shall be stamped with the word "Renewal", and shall be kept distinct from any new application made by the same borrower, but in all other respects the provisions of this Act relating to applications and the endorsements thereof, and the rights and liabilities arising thereunder, are applicable to such renewals. R.S.O. 1970, c. 158, s. 31.

32.—(1) In the event of a borrower failing to pay the ^{Failure of borrower to make payments} amount of his loan, or to renew it within one month from its due date, the lender may demand payment of the amount owing, with interest thereon to date of payment, and the association shall within fifteen days from the receipt of such demand provide for the payment of such amount.

(2) If on the expiry of the fifteen days payment has not ^{Where payment not made} been made to the lender, the balance unpaid on the subscriptions of the several members, the municipal corporation and the Province, forthwith becomes due and payable, and the liability of the municipal corporation and of the Province respectively to make payment thereof to the amount of such demand is not contingent upon payment by the members or any of them.

(3) Upon payment, the lender shall deliver to the association all securities held by him for the loan or any part ^{Where payment made} thereof, and the association is entitled to recover the amount so paid from the borrower by any means authorized by this Act or by any other statute or law applicable thereto. R.S.O. 1970, c. 158, s. 32.

Monthly
return

33. Every lender from whom loans are obtained by an association under this Act shall forward to the Commissioner a monthly return showing each loan made by it under this Act, and the amount advanced at the date of such return and also showing all loans, if any, then past due. R.S.O. 1970, c. 158, s. 33.

Security;
goods
purchased
to be
subject
to lien

34. All animals, machinery, goods or personal property of any kind purchased or partly purchased with the proceeds of a loan obtained under this Act, or for the purchase of which a loan has been granted, together with the offspring of such animals and the crops or other products grown upon any lands for the working of which such loan has been made or used, are subject to a lien for the amount of the loan in favour of the association approving without any further writing or act by the borrower, and none of such property shall be removed from the premises of the borrower or beyond the limits of the district in which the association is authorized to carry on business during the currency of such loan without the consent of the secretary, except for the purpose of sale, and all proceeds of the sale of any of such property shall without delay be paid to the lender on account of the loan. R.S.O. 1970, c. 158, s. 34.

Additional
security

35.—(1) The directors may, before granting an application, require such further security as they think necessary, and upon such terms and conditions as they may approve.

Form and
assignment
of security

(2) The directors are hereby authorized to take in the name of the association any form of security and to exercise all rights thereunder, and may assign such security, with all rights appertaining thereto, to the lender.

Powers
interpreted

(3) The powers of the directors as to taking security in the name of the association includes the power to take, by way of additional security, mortgages on real or personal property or assignments of agreements of sale thereof, and to exercise all rights conferred by such securities. R.S.O. 1970, c. 158, s. 35.

When asso-
ciation has
lien on
personal
property of
borrower

36.—(1) The association has a lien or charge on all the personal property of the borrower for securing repayment of any such loan, upon filing a certificate of the secretary of the association in the office of the clerk of the county or district court of the county or district in which is situated the land upon which the borrower carries on the operations for which the loan was made to him, showing the amount of the loan and the name and address of the borrower.

(2) The certificate shall be registered within five days from the date thereof and has effect only from the date of registration. Registration of certificate

(3) The registration in the same office of a subsequent certificate signed by the secretary of the association, showing repayment of such loan, operates as a discharge of such lien. Discharge of lien

(4) The clerk of the county or district court shall register the certificate and discharge without the payment of any fee therefor. R.S.O. 1970, c. 158, s. 36. No charge for registration

37. The bank or person making a loan or a representative and the association endorsing a loan or an officer or director thereof have the right at any time during the currency of the loan to enter on the premises of the borrower and inquire into the manner in which the borrower is carrying on such farming or other operations as are required for the proper development of the purposes for which the loan was granted, or to ascertain that the terms of the loan are being carried out, or that the security for the loan is in good condition and on the premises of the borrower in the district. R.S.O. 1970, c. 158, s. 37. Right of entry of bank or person making loan

38. In the event of the death, insolvency or mental illness of the borrower, or of his deserting the premises, or of his failure to carry out the purposes of the loan, the directors of the association, or any three of them, may apply to a county court judge for an order placing the association, or a person named by it, in possession of all goods, animals or property covered by any security given under this Act, and of any or all other property, real or personal, of the borrower lying within the municipality that may be required for the proper care, use, or preservation of the security, and the judge has power, after such notice to the borrower as he thinks reasonable, or without notice, to make an order for the purposes aforesaid and to authorize such persons as he names to carry out such order. R.S.O. 1970, c. 158, s. 38. Death, insolvency, or mental illness of borrower

39. No person who has obtained a loan under this Act, any part of which remains unpaid, shall dispose of or attempt to dispose of his stock, chattels or crops otherwise than in the ordinary course of business. R.S.O. 1970, c. 158, s. 39. Disposing of property covered by lien

40. The borrower is personally liable for the payment of the amount of any loan made under this Act, or any balance thereof, and for all interest charges and costs of collection thereof. R.S.O. 1970, c. 158, s. 40. Borrower personally liable

Misapplication of funds not to affect security

41. It is not incumbent on any person or bank making a loan under this Act to see to the due application of the moneys loaned, and the misapplication or non-application of such moneys does not affect the security for the loan. R.S.O. 1970, c. 158, s. 41.

Books and records to be open to inspection

42. The Commissioner has general supervision of all associations, and all books and records of any association shall be open at all times to inspection and audit by the Commissioner or such other person as is named by the Lieutenant Governor in Council. R.S.O. 1970, c. 158, s. 43.

Application of moneys

43. The moneys received by an association from the share of interest received by it shall be applied,

- (a) in payment of the necessary expenses of the association;
- (b) in payment of a dividend on the paid-up stock of not more than 6 per cent per annum;
- (c) in accumulating a reserve that may, in the discretion of the directors, be invested in the same manner as the capital stock,

and in the event of the dissolution of an association, any accumulated reserve shall be divided among the subscribers in proportion to the amount of the capital stock respectively held by them. R.S.O. 1970, c. 158, s. 44.

Application to secretary for information regarding a borrower

44. Any person dealing with a borrower or a person believed to be a borrower from an association, and proposing to sell goods on credit or to lend money or make advances to such person, may apply to the secretary of the association for information as to the advances that have been made or authorized to such person and the purposes thereof, and the secretary, on being satisfied of the *bona fides* of the request, shall furnish any information shown on the records of the association at the date of the request. R.S.O. 1970, c. 158, s. 45.

Meetings

45. The directors shall hold one or more meetings in each of the months of March and April in every year for the consideration of applications for loans, and shall hold such further meetings as may be required from time to time on the call of the president or on the written request of any three members of the board delivered to the secretary, and the directors shall also hold one or more meetings in the month of January in each year for the consideration of loans, if any, on which the full amount has not been paid prior to the 31st day of December preceding. R.S.O. 1970, c. 158, s. 46.

46. The Lieutenant Governor in Council may make Regulations regulations respecting any matter necessary or advisable to carry out effectively the intent and purpose of this Act. R.S.O. 1970, c. 158, s. 47.

47. The Treasurer may, with the approval of the Lieutenant Governor in Council, lend money to any such association for the purpose of assisting it to carry on its business on such terms as to interest, repayment and security as are agreed upon. R.S.O. 1970, c. 158, s. 48. Treasurer may loan money to associations

48. The Treasurer may, with the approval of the Lieutenant Governor in Council, enter into agreements and guarantees with banks, loan companies or other corporations for securing moneys for the purposes of associations, and may make provision for such rates of interest and conditions of repayment as seem proper. R.S.O. 1970, c. 158, s. 49. Agreements of Treasurer with banks, etc., to secure money

49. Where it appears to the Lieutenant Governor in Council that an association has ceased to operate, he may dissolve it, appoint a liquidator of its estate and effects, and make such provisions as he considers appropriate for the disposal of its property and records. R.S.O. 1970, c. 158, s. 50. Dissolution by Lieutenant Governor in Council

